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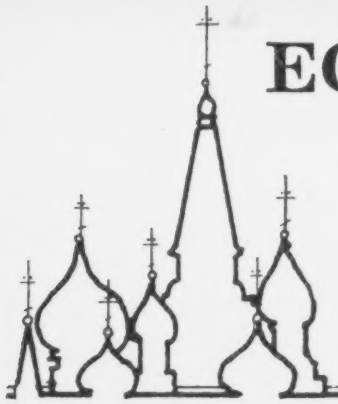

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XII, No. 8
April 2, 1988

INDUSTRIAL PRODUCTION FIGURES FOR JAN-FEB 1988

Product	Produced in Jan-Feb 1988	Jan-Feb 1988 as % of 1987
Electricity (billion kw hrs)	314	104
Petroleum (million tons)	103	103
Natural Gas (billion meters^3)	130	109
Coal (million tons)	133	103
Steel (million tons)	27.0	103
Fertilizer (million tons)	6.1	104
Metal-cutting tools (thousand units)	3.3	104
Robots	*	*
Computer tech. (million rubles)		
Tractors (million hp)	8.8	104
Paper (million tons)	1.1	107
Cement (million tons)	22.7	104
Meat (million tons)	2.0	101
Margarine (thousand tons)	280	104
Watches	*	*
Radios	*	*
TV sets (million units)	1.5	128
Automobiles (thousand units)	215.5	100.4

* not published

Source: Ekonomicheskaia gazeta, No. 12, March 1988, p. 8.

LIVESTOCK HERDS (Thousand head)

Herd	03/01/87	03/01/88	1988 as % of 1987
Cattle	96.1	95.1	99
Cows	28.9	28.6	99
Hogs	60.3	58.6	97
Sheep & Goats	123.4	122.4	99
Chickens	751.6	770.5	102.5

INDUSTRIAL PRODUCTION FIGURES FOR JANUARY-FEBRUARY 1988

On the surface the Soviet economy seems to be showing some signs of vigor. It is a bit hard to tell because the Soviets have taken to publishing figures they don't normally release, while at the same time holding back the publication of figures they normally do release. Moreover, the weather this year is reason-ably normal, whereas in January and February 1987, it was unduly cold. Taken as a whole, or at least taking what is made available, the industrial situation does seem to show some improvement.

One other consideration, of course, is that February 1988 was leap year, so there was one more work day, but the overall trends seem to go beyond just that difference.

One of the most impressive changes is in the petroleum industry. Soviet statistics indicate that petroleum output increased by 5% in February 1988 compared to February 1987. For the two months as a whole, production is up 3%. However, the growth is particularly striking in February. In the same way, electricity output was up 8.5% on a February to February basis, gas output was up 10%, and coal output increased 5.5%. These all exceeded the increase for the whole two month period and indeed may be the result of that extra work day.

It should also be noted that four hundred additional factories are now working with quality inspectors,

but the impact does not seem to be as great, or at least as great among those factories listed. Some of the industries that were having trouble last year have not reported their output for the last two months.

LIVESTOCK HERDS CONTINUE TO DECREASE

The Soviets have not been publishing the size of their livestock herds on as regular a basis as they have in the past. This may reflect the fact that they are a bit concerned about the drop in the size of the herds. Despite the fact they are moving into the contract responsibility system in agriculture and that peasants are now allowed to subcontract with the collective farm to tend its livestock, the size of the herds has dropped in every instance except for chickens. The drop is not all that serious for the most part, down usually by 1% or slightly more, except in the case of the hog herd, which is down 3%. That is a bit of a puzzle and continues undoubtedly to be reflected by the fact that meat supplies generally seem tighter than ever before, even though it is reported that meat output for the two month period is up by 1%.

JOURNALIST BRIEFING FOR THE MAY SUMMIT

May 2, 1988
Harvard Faculty Club

As we have done in the past, the Russian Research Center will sponsor a one-day briefing for journalists before the Moscow summit. In conjunction with the Nieman Foundation and the Joan Shorenstein Barone Center for Press, Politics, and Public Policy, we will hold a session entitled, "The Moscow Summit," on May 2nd at the Harvard Faculty Club. This should provide enough lead time before the actual meeting in Moscow, which has been announced for May 29 through June 2. This will be the first conference in which we have joined forces with the Barone Center. The application form and program are included in this mailing. If you would like to register by telephone, call Catherine Reed, (617) 495-4038

RUSSIAN RESEARCH CENTER ORGANIZES EXCURSION TO THE USSR

PERESTROIKA AND *GLASNOST'* IN THE SOVIET UNION

The Russian Research Center is organizing a working excursion to the Soviet Union. The purpose of our trip is to familiarize participants with the current state of economic reforms being implemented by General Secretary Gorbachev. Unlike the usual tourist visit, we will combine some sightseeing with a four-day series of professional meetings in Moscow.

Briefings and discussion sessions will be provided throughout the trip. Topical meetings have been scheduled with some of the leading Soviet proponents and implementors of the reform. To date we have formal commitments from the following Soviet participants: Academician Leonid Abalkin, Director, Institute of Economics, USSR Academy of Sciences, Dr. Andrei Anikin, Institute of World Economics and International Relations, Academician Oleg T. Bogomolov, Director, Institute of the World Socialist System, USSR Academy of Sciences, Dr. Rayamundas Rayatskas, Lithuanian Academy of Sciences, and Dr. Nikolai Shmelev, Institute of Economics, USSR Academy of Sciences. American participants will include Ambassador Jack Matlock, US Ambassador to the USSR, Consul General Richard Miles, US Consul General of Leningrad, H. Michael Mears, US Trade Representative to the USSR, Ross Wilson, Economic Officer of the US Embassy, Philip Taubman and Felicity Barringer, the New York Times, and Frederic Drake, Manager, General Electric, Moscow.

The trip is scheduled to leave the United States on Thursday, September 1 and return on Saturday, September 10. We have purposely planned this trip around the Labor Day weekend in order to reduce the number of working days spent outside the USA.

The trip will begin with three days in Leningrad, where there will be some of the more traditional sightseeing and entertainment, and will then move to Moscow for the formal meetings, which will be broken up by a Wednesday trip to a historic city such as Suzdal. Evening cultural per-formances will be arranged as well.

This is a trip designed to provide our participants with the type and degree of exposure that those of us doing research on the Soviet Union normally experience. The expectation is that the trip will be led by Marshall Goldman and Catherine Reed of the Russian Research Center. Travel options are as follows:

Business class, dbl occupancy:	$6,000 per person
Business class, single room:	$6,500 per person
Economy class, dbl occupancy:	$5,000 per person
Economy class, single room:	$5,500 per person
Land only (you arrange your air travel independently):	
for double occupancy:	$3,500 per person
for single occupancy:	$4,000 per person

Two thousand dollars of the fee is considered a charitable contribution to the Russian Research Center. There will be room for 24 people, and we already have several reservations. If you are interested, please write or call Catherine Reed for more information.

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CENTERPIECE

From Soviet specialists, somber view

By Charles A. Radin
Globe Staff

HARRIMAN,N.Y. – A burly analyst from the Central Intelligence Agency leans across the breakfast table and gives a couple of prominent scholars in Soviet affairs a piece of his mind. Nicely. It's just, he says, that they're studying the wrong thing.

"You spend too much time poring over small differences" in Pravda reports while what Soviet leader Mikhail S. Gorbachev "is concentrating on is his 20-minute spots on the evening news," the CIA man says amiably. "TV is Gorbachev's medium. He has already alienated the elites" who react to nuances in the newspaper.

"He is speaking over their heads" to the general public.

"Hmmmm . . .," replies the professor, softly exhaling a perfect smoke ring. And a conversation begins, with each displaying the deep familiarity with subject born of frequent travel and top-quality intelligence.

The grand marble room around them, in a magnificent old house wrapped in fog, atop a small mountain near New York City, is abuzz with similar talk. State Department, military, corporate and academic specialists on the Soviet Union were gathered over the weekend, at the estate of the late Ambassador W. Averell Harriman, for the annual exchange of views on the other superpower sponsored by the Soviet studies centers of Harvard and Columbia.

In general, such sessions provide some insight into how American elites find their areas of consensus – and clarify their differences – on matters of vital national concern.

In specific, the meetings that concluded here yesterday yield a more sober and pessimistic view of the Soviet future than is held by great numbers of Americans who currently are impressed with the potential of Gorbachev, delighted with the sudden explosion of cultural and intellectual exchanges, and relieved at the easing of tension between the superpowers.

For while few of the specialists would have agreed with the CIA man that they were studying the wrong thing, almost all agree that Gorbachev has alienated major Soviet elites and that his program for the Soviet Union, if not his position at the top, is in jeopardy.

Glasnost – the policy of encouraging greater openness in Soviet society – has evoked a great response, they said, but the larger programs of democratizing, rejuvenating and restructuring the Soviet Union of which the new openness is part are hardly off the ground.

"One year ago, the people backing Gorbachev were very optimistic," said Jack F. Matlock, US ambassador to the Soviet Union and opening speaker at the conference. "Basically, they were saying, 'We're on the right track. Everything will be OK, and soon.' Today the mood is much different. They have experienced opposition at every step."

Matlock – and many others here – stoutly disputed the spreading common wisdom that the process of opening the Soviet Union has achieved momentum that would make it difficult to reverse.

"It could be reversed very quickly, almost easily, by replacing maybe 10 editors," Matlock said. "I think there is danger in euphoria."

There certainly was no euphoria in this group of three score Soviet specialists. Through two days of on- and off-the-record presentations ramrodded by Marshall Goldman, the Wellesley College economics professor who is codirector of the Russian Research Center at Harvard, they assembled this composite view:

Glasnost – the policy of openness that has so excited American hopes – is but a part of Gorbachev's plan for democratizing Soviet society; the democratization effort, in turn, is at the center of his ideas for perestroika – restructuring – of the country.

Glasnost within the Soviet Union has greatly reduced some institutions' power but creation of new, more democratic institutions has lagged behind, and the Soviet economy, which is both the motive for and the would-be beneficiary of the program of change, has hardly changed at all. Some analysts said it has grown even weaker under the burdens of low prices for raw-materials exports and continued production of manufactured goods unsuitable for export by outmoded Soviet factories.

"That democratization has outpaced reinstitutionalization is a fact of enormous political significance," University of Wisconsin professor Mark Beissinger, a fellow at the Harvard center, asserted. "The Soviet Union today is in a crisis of political order."

Columbia professor Richard Ericson said that "there actually has been little economic change. Financial rewards and activities still are unrelated to economic activity." He said that "unless something really drastic is done, there is very little hope for improvement in the next five to eight years."

And it is on that ground that many of the specialists believe Gorbachev's program – but probably not Gorbachev himself – will disintegrate.

Goldman, widely known for his pessimistic assessment of the Soviets' chances to reinvigorate their country, said Gorbachev has no more than a couple of years to begin showing domestic improvements to his people, and even those who think the crunch is somewhat less immediate for the Soviet leader do not believe major strides will be made anytime soon.

Professor Marshall D. Shulman, a former adviser to the State Department on the Soviet Union and founding director of the Columbia center, offered the counterpoint.

"Gorbachev's success has to be evaluated on four separate levels," he asserted. "The economic issues are indeed the most difficult. In domestic politics, he is doing very well. In foreign policy, there is movement in a positive direction. In military affairs, there are signs of movement.

"Gorbachev has been pragmatic. He is not going to break his lance on a vain cause. He is a politician and he is looking for what the traffic will bear."

Given the needs and problems of the Soviets, congressmen in attendence embraced a carrot-and-stick approach to dealing with them and expressed confidence at ability of American politicians to know what US stands would produce desired Soviet responses.

Matlock spoke strongly against this approach. "Should we cooperate with the Soviet Union to make perestroika work? I don't think it's a question we should ask . . . . We can never determine the impact" of direct efforts to influence Soviet affairs.

The CIA man took it all in, but declined to give his own view on Gorbachev near the meeting's end.

"There are mysteries and there are secrets, and you can really go wrong if you get mixed up about which is which," he said. "Now my business is to turn mysteries into secrets – but this is still a mystery."

Ambassador Jack F. Matlock: "One year ago, the people backing Gorbachev were very optimistic. . . . Today the mood is much different."

Mikhail S. Gorbachev

Marshall Goldman: Gorbachev has no more than a couple of years to begin showing domestic improvements to his people.

RUSSIAN RESEARCH CENTER
NIEMAN FOUNDATION
JOAN SHORENSTEIN BARONE CENTER ON PRESS, POLITICS AND PUBLIC POLICY
of Harvard University

THE MOSCOW SUMMIT

May 2, 1988
Harvard Faculty Club

9:45 a.m. **SETTING THE STAGE FOR MOSCOW**

Adam B. Ulam, Director, Russian Research Center, Harvard University
"Three Years in Office: How Gorbachev Brought the USSR to the Table"

Tom Simons, Assistant Secretary for Eastern Europe and the Soviet Union, U.S. Department of State
"Reflections on Past Meetings Between Ronald Reagan and Mikhail Gorbachev"

Richard Pipes, Baird Professor of History, Harvard University
"Arms Control Agreements in the Historical Context: Do They Lessen the Threat?"

11:30 a.m. **THE PROSPECTS FOR MOVEMENT IN ARMS CONTROL**

Joseph Nye, Director, Center for Science and International Affairs, JFK School of Government, Harvard University
"US Expectations for an Arms Control Agreement: What is on the Table and Why?"

Mark Kramer, Rukin Fellow, Center for International Affairs, and Fellow, Russian Research Center, Harvard University
"The Long-Term Costs and Benefits of a START Agreement: Who Benefits from What?"

1:00 p.m. LUNCH

2:15 p.m. **OUT OF THE LIMELIGHT: IMPLICATIONS OF THE SUMMIT IN OTHER AREAS**

Lubomyr Hajda, Fellow, Russian Research Center, Harvard University
"Nationalist Dissent and Political Stability: Ethnic Minority Unrest in the USSR"

Mark Beissinger, John M. Olin Faculty Fellow, Russian Research Center, Harvard University
"Molding the Leadership in His Image: The Success of Gorbachev's Cadre Policy"

Marshall I. Goldman, Associate Director, Russian Research Center and Professor of Economics, Wellesley College
"The Importance of the Moscow Summit for Gorbachev's Program of Perestroika"

3:45 p.m. **PUTTING IT IN PERSPECTIVE -- THE MEDIA'S ROLE AT THE SUMMIT**

Marvin Kalb, Director, Joan Shorenstein Barone Center on Press, Politics and Public Policy, JFK School of Government, Harvard University

Howard Simons, Curator, Nieman Foundation, Harvard University

4:45 p.m. ADJOURN

RUSSIAN RESEARCH CENTER
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of Harvard University

THE MOSCOW SUMMIT

May 2, 1988
Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Name: _____

Title or Position: _____

Company or Publication: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone ( ) _____ Home Phone ( ) _____

Registration Fee:

$200

Registration fee must be paid in advance. All checks should be made payable to **The Russian Research Center**. Russian Research Center affiliates are invited to attend the conference, but must register in advance.

Hotel Reservations:

Please indicate below if you would like us to make hotel reservations for you. A letter of confirmation will be mailed to you indicating the location and the nightly rate. The Russian Research Center will not guarantee rooms for participants.

Date (s): _____

Single ( ) Double ( )

Return application and registration fee to:

Catherine Reed
Russian Research Center
1737 Cambridge Street
Cambridge, MA 02138

For information:

(617) 495-4038